

## INFORMATION REPORT

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SUBJECT Resentment of Kwangtung Authorities over  
Chinese Communist Government's Political  
and Economic Program

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SUPPLEMENT TO  
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1. Shortly after the return of MAO Tse-tung from Moscow, decisions were made in the Politburo of the Chinese Communist Party (CCP) regarding the allocation of national resources for China's economic and political development. Not all of these decisions are known in detail outside of the Politburo, but it is known that the decisions were based to a considerable extent on commitments made by MAO while in the USSR, and by Soviet plans for China.
2. In general, it was decided that the political and economic phases of the Communist revolution in China would be supported in each administrative area by the resources of that area, but that all areas should contribute extensively to the development of certain selected key areas. These key areas, developed more extensively and more rapidly than the rest of the country, would become military, political and economic bases for the defense of the entire country, and would, at a later date, facilitate the development of the revolution in other areas.
3. In order of importance, and hence in order of the proportion of resources to be allocated to their development, these key areas are Manchuria, northern and western Hobei Province, and Shansi Province. The remainder of China must support its own development for the present and contribute to these three areas. Neither the content nor the amount of the contribution to all, or any one of these areas, has been made known in detail. However, it is known that the contributions include direct financial subsidies from the Central Government, foodstuffs, industrial plants and machinery, and technical and administrative personnel.
4. Financial contributions for the development of education have been made known. A total of JMP 2.4 billion has been allocated to education in the current national budget. This sum is to be pro-rated as follows:

JMP 1.2 billion - Manchuria  
.8 billion - Peiping and Tientsin  
.4 billion - Balance of China

The amounts of food being shipped into the three key areas from other parts

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of China have not been revealed, but it is known that such shipments are being made and distributed within the key areas by official agencies.

5. The details of the movement of industrial plants and equipment to these areas is likewise not revealed. However, certain plants and equipment originally in the hands of the Kwangtung People's Government, which were intended for installation in that province, have been requisitioned by Peiping and moved to the key areas. These include a hydro-electric plant which was to be installed in the Yang-chiang (陽江) district, but which has been moved to Shansi. Work had actually begun on this project in that engineering surveys had been carried out, construction started on the foundations of the dam and generators, and transformers and other equipment accumulated in Canton. In mid-April work was stopped, and the engineering staff, including Soviet advisers on the project, were moved to North China, as was the equipment in Canton. Machinery intended for a paper mill in 1937 but shipped to Japan by the Japanese army before its installation, was recovered by the Nationalists and returned to Canton in 1948-49. This machinery has now been shipped to Manchuria, although plans were far advanced to install it in a paper mill in the Honam District, Canton.
6. Technicians of various kinds are being recruited for service in these key areas. Recruiting is on a voluntary basis, though threats are sometimes used to get well-qualified men to accept employment. Salaries offered are 300% to 400% above those paid elsewhere in the country. The Academia Sinica has set up a large research institute in Changchun, and China's leading social and natural scientists are receiving attractive offers to join its staff. Recruiting for Manchuria began in the Peiping-Tientsin area. The response was so great that local officials complained to the Politburo that Manchuria was taking away all of the best technical talent in North China. Recruiting is now confined to the Yangtze Valley and South China. Response in Kwangtung, originally very light, is increasing.
7. Kwangtung provincial and Canton municipal authorities are disgruntled at this program that provides them no help for the solution of their own economic, and attendant political, problems, and forces them to contribute to the support of other areas. However, they have no thought of opposing the program. They complain to non-Communists working with them that the Central and South China Regional Administration (中南行政) in Hankow and the Peiping authorities are charging them with too heavy responsibilities, without giving them help in meeting these responsibilities. For example, they say, despite the fact that they have a notoriously unruly populace with which to deal, Peiping has given them only 2,000 of the best qualified CCP organizers and officials to handle Kwangtung and Kwangsi, whereas Shanghai alone was assigned 20,000. They also say that Kwangtung and the rest of Southern China has been "written off by Peiping," and that Peiping does not expect to hold Southern China.
8. As stated above, the separate administrative entities of Communist China are required to support their own economic development, while contributing to the development of key areas. The provincial and larger municipal governments are required to submit plans for this development to the area authorities. For example, on 1 April 1950, the Kwangtung and Canton authorities were ordered to prepare and submit such plans to the Central and South China Administration (中南行政), Hankow, by 1 May, these plans to be supported by relevant statistical data. After wasting a week in futile attempts to meet this requirement, the job was turned over to SUN Yat-sen University. This institution, after a week's effort, admitted its inability to meet Hankow's demands, and Lingnam University was ordered to undertake the task. By mobilizing the resources of the Liberal Arts Department, Lingnam met the deadline for the Canton plan. Anti-Communist feeling and guerrilla activity prevented gathering necessary data from the rest of the province.
9. In preparing the plan for Canton, the local authorities were ordered by Hankow to tabulate the types of non-essential economic activities which should be

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eliminated, and those which should be promoted. They were given a guide list of 130 types of economic activities, the majority of which were regarded as non-essential by the Chung Nan Chu, which, in turn, was reflecting instructions from Peiping. The criteria for judging whether a business activity was essential were frivolous and irrelevant. In general, the typical workshop type of production unit, which is responsible for the majority of China's production, was usually judged non-essential. This was because such enterprises were deemed "commercial" and not "industrial," since the proprietor sold his produce to the consumer. Larger production units, regardless of the product, were classified as "industrial," hence "essential," because they made no retail sales. Non-essential economic activities are, according to instructions, to be eliminated through taxation. Persons completing the Canton survey pointed out to the local authorities that compliance with Hankow's instructions would pauperize the bulk of Canton's small workshop proprietors and labor corps, and curtail the production of essential goods and services. The Canton authorities were persuaded that this was the case and said that while they would contest these rulings by the Chung Nan Chu, they believed appeal would be fruitless. This survey was regarded as highly classified. Similar surveys made in Peiping and Tientsin were shown to the Lingnam faculty members concerned with the Canton survey, but were returned in the custody of officials who were members of the CCP. These faculty members regard the Canton survey as superficial and inaccurate because insufficient time was devoted to it. They feel that the conclusions derived from the survey by the local authorities acting under instructions from Hankow are invalid, and reflect preconceptions reached on a subjective, doctrinaire basis. This type of economic planning, they say, can lead only to economic chaos.

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